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E.O. 12958: N/A
TAGS: [KNNP](#) [IR](#) [PREL](#) [PARM](#) [XD](#) [XO](#) [CE](#)
SUBJECT: RESPONSE TO REQUEST FOR PRESS GUIDANCE FROM
EMBASSY COLOMBO ON BLOCKAGE OF OVERFLIGHT PAYMENTS

REF: A. A) COLOMBO 000281
[1](#)B. B) STATE 148605

[1](#)1. (U) This is an action request. Please see paragraph 3.

SUMMARY/BACKGROUND

[1](#)2. (U) On March 19, 2008, Embassy Colombo requested approval to use proposed press guidance points (REFTEL A) if asked about Citibank's blockage of overflight funds paid by Sri Lanka Airlines to Iran using Bank Melli. Washington requests that Post use the press guidance included below when discussing this issue.

OBJECTIVES

[1](#)3. (U) Washington requests that Post use the following press guidance when discussing Citibank's blocking of overflight payments. Post may also draw from information in REFTEL B, which includes a fact sheet on the E.O. 13382 designation of Bank Melli (the fact sheet is also available at www.treas.gov/press/releases/hp644.htm):

Question: Why did Citibank block a transaction by Sri Lankan Airlines to pay the government of Iran for routine overflight fees? Why did Citibank seize/freeze/impound Sri Lankan Airlines' funds, rather than simply rejecting the transaction and returning the funds?

Answer: We defer all Citibank specific questions to Citibank. Generally speaking, however, U.S. banks are required to comply with U.S. sanctions against Bank Melli of Iran by blocking transactions such as this one. On October 25, 2007, the U.S. designated Bank Melli under Executive Order 13382 (REFTEL B), which is aimed at proliferators of weapons of mass destruction and their supporters. Executive Order 13382 requires U.S. persons, including financial institutions, to block all property of sanctioned parties like Bank Melli (<http://www.treas.gov/offices/enforcement/ofac/legal/eo/whwmdco.pdf>). This means that a transaction destined for Bank Melli must be blocked, unless licensed by the Office of Foreign Assets Control, Department of Treasury.

In addition, UN Security Council Resolution 1803, which was adopted on March 3, 2008, also calls upon States to exercise vigilance over the activities of financial institutions in their territories with all banks domiciled in Iran, especially Bank Melli, Bank Saderat, and their branches and subsidiaries abroad, in order to avoid activities that might contribute to proliferation-sensitive nuclear activities. Bank Melli provides banking services to entities involved in Iran's nuclear and ballistic missile programs, including entities listed by the U.N. for their involvement in those

programs.

Question: Was this action taken because of U.S. disapproval of Sri Lanka's economic ties with Iran?

Answer: Any transaction initiating from any company in any country in the world would be similarly blocked if it were conducted through a U.S. bank.

REPORTING DEADLINE

¶5. (U) Should the Mission receive inquiries on this issue and need to use the above guidance, please report any results (media and Sri Lankan government reaction, etc.) by cable. Please slug replies for ISN, IO, T, TREASURY, SCA and NEA/IR. Please include SIPDIS in all replies.

POINT OF CONTACT

¶6. (U) Washington point of contact for follow-up information is Kevin McGeehan, ISN/CPI, (202) 647-5408, McGeehanKJ@state.sgov.gov.

¶7. (U) Department thanks Post for its assistance.
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